MCE Empowering Our Clean Energy Future

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PINOLE | PITTSBURG | PLEASANT HILL | RICHMOND | SAN PABLO | SAN RAMON | VALLEJO | WALNUT CREEK

Executive Committee Meeting
Friday, November 4, 2022
12:15 P.M.

This Meeting will be conducted via teleconference pursuant to the requirements of Assembly Bill No. 361. By using teleconference for this meeting, MCE continues to promote social distancing measures recommended by local officials.

Members of the public who wish to observe the Meeting and/or offer public comment may do so telephonically via the following teleconference call-in number and meeting ID:

For Viewing Access Join Zoom Meeting:
https://us02web.zoom.us/j/86255888841?pwd=ekJ4REFPR21QS1lnZjRFb25WYkZkZz09

Dial: 1-669-900-9128
Meeting ID: 862 5588 8841
Meeting Passcode: 293075

OPEN SESSION
Roll Call/Quorum
Public Open Time (Discussion)

CLOSED SESSION
Conference with Labor Negotiator
Agency Designated Representative: Board Chair
Unrepresented Employee: Chief Executive Officer

Resume OPEN SESSION

1. Roll Call/Quorum

2. Board Announcements (Discussion)

3. Public Open Time (Discussion)

4. Report from Chief Executive Officer (Discussion)

5. Consent Calendar (Discussion/Action)
   C.1 Approval of 10.7.2022 Meeting Minutes

6. Proposed MCE Rate Adjustment in FY 2022/23 (Discussion/Action)

7. Proposed CEO Review and Compensation Structure (Discussion/Action)

8. Review Draft 11.17.22 Board Agenda (Discussion)

9. Committee Matters & Staff Matters (Discussion)

10. Adjourn

The Board may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

DISABLED ACCOMMODATION: If you are a person with a disability which requires an accommodation, or an alternative format, please call MCE's main office line at (415) 464-6010 as soon as possible to ensure arrangements for accommodation.

DRAFT

MCE EXECUTIVE COMMITTEE MEETING MINUTES
Friday, October 7, 2022
12:15 P.M.

The Executive Committee Meeting was conducted pursuant to the requirements of Assembly Bill No. 361 (September 16, 2021) which allows a public agency to use teleconferencing during a Governor-proclaimed state of emergency without meeting usual Ralph M. Brown Act teleconference requirements. Committee Members, staff and members of the public were able to participate in the Committee Meeting via teleconference.

Present: Barbara Coler, Town of Fairfax
Cindy Darling, City of Walnut Creek
Ford Greene, Town of San Anselmo
Kevin Haroff, City of Larkspur, Chair
Devin Murphy, City of Pinole
Brad Wagenknecht, County of Napa and all Five Napa Cities

Absent: Denise Athas,
Edi Birsan, City of Concord
Tom Butt, City of Richmond
Gabriel Quinto, City of El Cerrito
Shanelle Scales-Preston, City of Pinole
Holli Thier, Town of Tiburon
Sally Wilkinson, City of Belvedere and the City of Mill Valley

Staff & Others: Darlene Jackson, Lead Board Clerk
Vicken Kasarjian, Chief Operating Officer
Justin Kudo, Senior Strategic Analyst and Rates Manager
Catalina Murphy, Associate General Counsel
Garth Salisbury, Chief Financial Officer and Treasurer
Enyo Senyo-Mensah, Office Manager
Dawn Weisz, CEO

1. Roll Call
Chair Haroff called the regular Executive Committee meeting to order at 12:23 p.m. Quorum was not established therefore action items were deferred to be put on the agenda of the next appropriate Committee or Board Meeting.

____
Kevin Haroff, Chair

Attest:

____
Dawn Weisz, Secretary

November 4, 2022

TO: MCE Executive Committee

FROM: Garth Salisbury, Director of Finance & Treasurer
Justin Kudo, Senior Strategic Analysis and Rates Manager
John Dalessi, CEO, Pacific Energy Advisors

RE: Proposed MCE Rate Adjustment in FY 2022/2023 (Agenda Item #06)

Dear Executive Committee Members:

Executive Summary

The MCE Implementation Plan and Statement of Intent ("Implementation Plan") describes the policies and procedures for setting and modifying electric rates for MCE. MCE rates are typically reviewed on an annual basis as part of MCE's budget-setting process, and after PG&E has made its primary annual rate update to determine whether rate changes are warranted in consideration of MCE's cost of service, revenue sufficiency in the fiscal year's proposed budget, rate competitiveness, rate stability, customer understanding, efficiency and equity among customers.

In December 2021, MCE's Board of Directors approved a $0.02/kWh increase to system average rates. This rate change was designed to cover the increased costs of energy procurement in 2021 and 2022. The change also provided a significant savings to customers by setting rates for a total bill cost below PG&E's total cost; customers are estimated to be saving approximately $90 million in calendar year ("CY") 2022.

Further increases in statewide energy prices have caused a reduction in MCE's budgeted annual net revenue of $108.6 million. These increased costs are being absorbed by MCE's budgeted addition to its Net Position of $98.2 million. As a result, staff now forecasts that MCE will instead subtract $10.4 million from its Net Position this fiscal year.

One positive aspect of increased statewide energy costs is how they impact the Power Charge Indifference Adjustment (PCIA) rate PG&E charges to MCE customers. The PCIA is calculated based on the difference between the value of PG&E's energy portfolio and the CPUC Market Price Benchmark (MPB). PG&E's forecast based on the updated MPB suggests the PCIA should be reduced by $0.02-0.03/kWh in 2023, and is likely to be negative (i.e., a credit per kWh). This would significantly offset any increase to MCE rates proposed herein and, if the Board adopts the rate increase recommendation, enable MCE to remain less expensive than PG&E service.

PG&E's 2023 rate forecast suggests that reductions to the PCIA would provide most MCE customers with an additional savings of about $0.02-$0.03/kWh on the typical customer bill (about $5 to $15 per month for the typical household), due to a reduced PCIA. This is subject to PG&E's final rate proposal and approval (which will be available in late December) falling within the forecast range and made effective January 1, 2023.

The following staff report describes the current and on-going energy market dynamics and cost pressures and the consequent impact on MCE's near and long-term financial stability as rationale for implementing a rate increase ranging from of $0.03/kWh to $0.05/kWh.

Given the updated economic conditions, Staff is proposing your Board increase MCE system average rates by $0.04/kWh, effective January 1, 2023, to strike an appropriate balance between core MCE ratesetting principles of revenue sufficiency and cost competitiveness. This proposal would increase the forecast fiscal year ("FY") 22/23 addition to Net Position by $51 million, enabling MCE to both achieve some of its reserve target goals and, if necessary, to manage further increases to energy costs this fiscal year.

MCE Ratesetting Cycle, Objectives and Process

Ratesetting Cycle: MCE typically adjusts its rates on an annual basis, following a process of discussion, review, and public notification. Ratesetting is usually coordinated with the annual budgeting cycle (April 1 – March 31 of the ensuing year) due to the inherent linkages between the MCE budget and MCE rates. Rates may also be adjusted off cycle, when necessary, to ensure recovery of all MCE costs. Your Board last adjusted rates in a two-step process in January and March of this year to address increased costs and to ensure recovery of those costs.

The initial release of MCE's proposed rates initiates a thirty-day public review and comment period. If rate increases are being proposed, the affected MCE customers are provided with notice of proposed rate increases. Following completion of the thirty-day public review and comment period, final rates are adopted by the Board. Final rates may differ from the initially proposed rates to account for changes in MCE's budget, consideration of public comments received during the aforementioned review period, changes in PG&E rate forecasts, and/or other factors that may be considered by your Board.

Implementation of PG&E's 2023 Annual Electric True-Up is expected to occur on January 1, 2023. Current forecasts are based on PG&E's October Energy Resource Recovery

Account (ERRA) Update[1], and the published CPUC Market Price Benchmarks[2]. Final rates typically do not become public until the final week of December.

Ratesetting Objectives: MCE has established various objectives that are considered in designing MCE rates. These ratesetting objectives are as follows:

Revenue sufficiency: rates must recover all expenses, debt service and other expenditure requirements, and build prudent reserves; i.e., the "revenue requirement".

Rate competitiveness: rates must allow MCE to successfully compete in the marketplace to retain and attract customers.

Rate stability: rate changes should be minimized to reduce customer bill impacts.

Customer understanding: rates should be simple, transparent and easily understood by customers.

Equity among customers: rate differences among customers should be justified by differences in usage characteristics and/or cost of service.

Efficiency: rates should encourage conservation and efficient use of electricity (e.g., off-peak vehicle charging or time-of-use load shifting).

To the extent that the objectives may be in tension with one another, the rate proposal attempts to strike an appropriate balance. For example, a cost-of-service analysis might suggest that a particular rate should be increased, but the increase might be limited in the interest of rate stability and/or rate competitiveness. In accordance with the Implementation Plan, the policy of revenue sufficiency may not be violated; however, the Board may use discretion in how the other ratesetting objectives are reflected in MCE rates.

Ratesetting Process: The ratesetting process is based on a forecast of MCE electric revenue for the coming fiscal year, determined by examining the forecast load for each rate class. The forecast includes current customers, as well as any communities expected to begin MCE service, organized by forecast monthly billing quantities expected under each rate class. Depending upon the rate class in question, billing quantities can include monthly energy usage (kWh), hourly or aggregated load profiles, peak coincident demand, and peak capacity (kW) demand during specified time-of-use periods. The forecasted billing quantities are multiplied by applicable rates to derive a forecast of revenues at current MCE rates.

The projected revenue at current rates is compared to fiscal year budget items that must

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[1] PG&E 2023 Energy Resource Recovery Account and Generation Non Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation Update

[2] Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/community-choice-aggregation-and-direct-access/calculation-of-the-market-price-benchmarks-20220930.pdf

be funded through such rates (the "revenue requirement") to determine whether rate adjustments are warranted for purposes of addressing any projected surplus or deficit.

Rates are designed for the various schedules associated with each customer class in order to recover the revenue requirement allocated to that class. Rates are also evaluated for other key ratesetting considerations, such as cost competitiveness, equity among customers, peak-to-off-peak ratios, and so forth. There are currently 86 rate schedules and over 450 rate components which are adjusted during a rate change cycle.

Variations in Outcomes Inherent in Revenue and Cost Projections

Financial projections are subject to certain variations inherent in MCE's operations related to the cost of providing electricity to consumers and cash receipts from billing operations. Key variables that can drive MCE's costs above expected levels include unanticipated increases in prices in the CAISO market, the impact of extreme heat events such as those experienced in August 2020 and September 2022, worsening congestion costs at MCE's renewable generation projects and other supply delivery points, and delays in commercial operation of new renewable projects that are expected to achieve operations in the upcoming fiscal year. Revenues can vary from projections due to changes in customer usage levels and consumption patterns driven by weather, expansion of customer-sited solar, business cycles or general economic conditions. Continuing variations from the projections and assumptions utilized for financial and budgetary planning could result in outcomes significantly divergent from those depicted here.

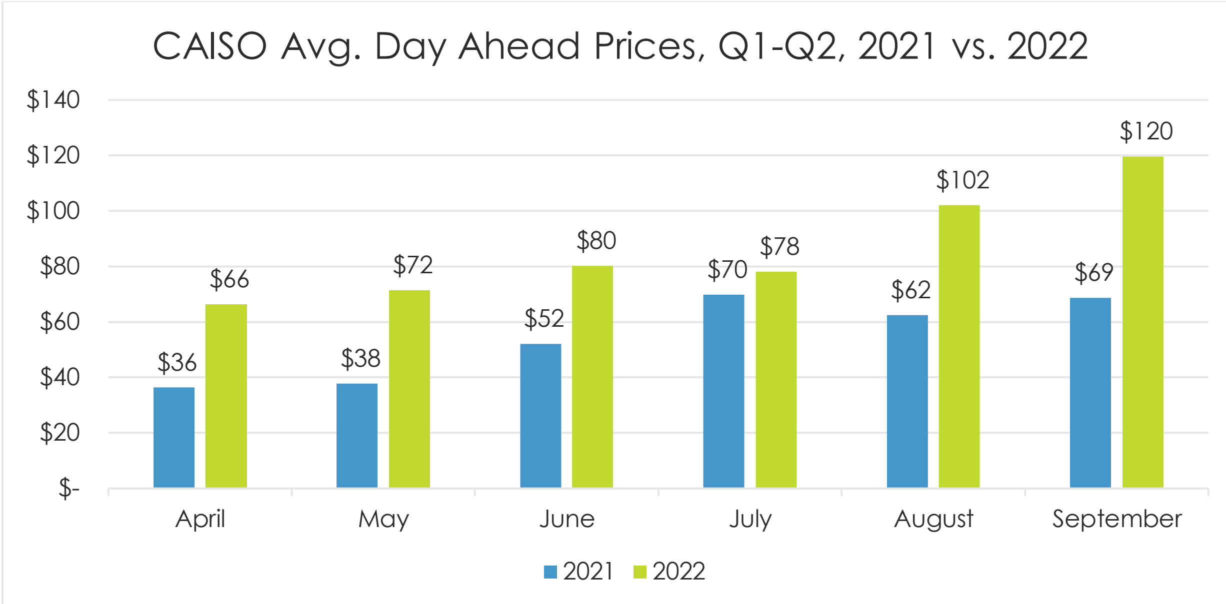
Increasing Cost of Energy

During last year's Ratesetting presentation, staff described significant increases in statewide energy costs during 2021, which necessitated MCE raising rates in the final quarter of the fiscal year. These elevated prices have not only persisted in 2022, but have risen significantly higher and well-above industry forecasts.

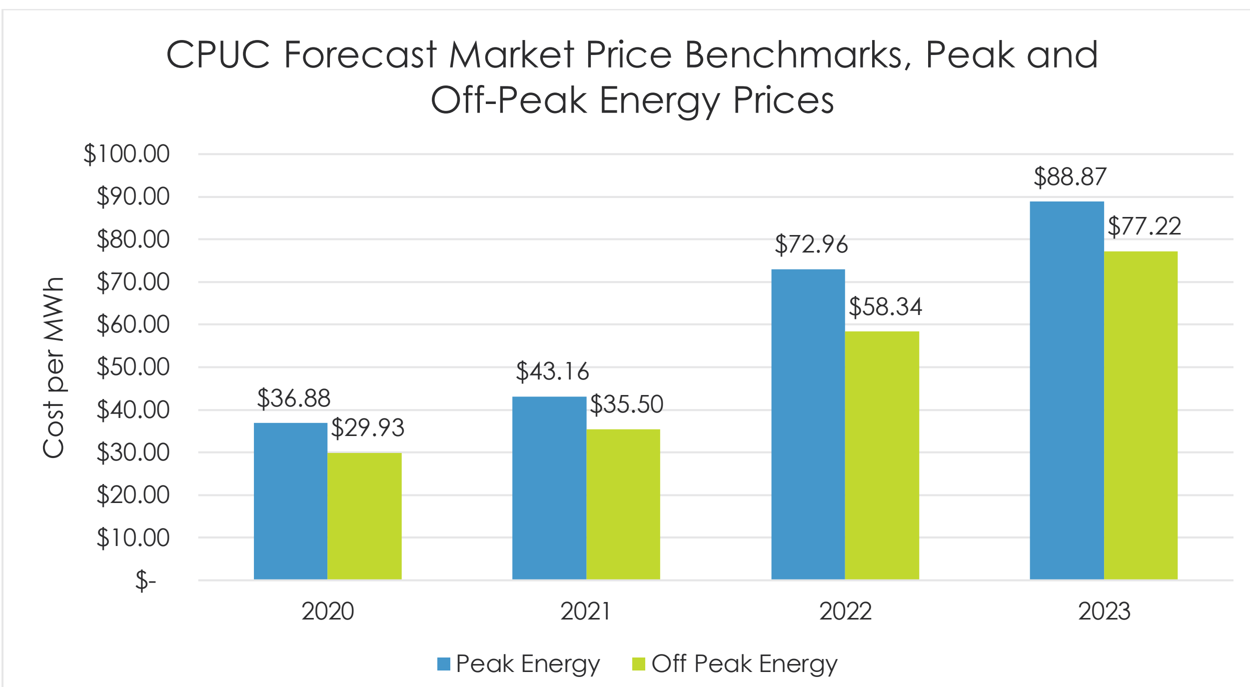
The two major categories of MCE's power supply expenses are energy and resource adequacy ("RA"). The costs for both categories have increased. Energy, typically measured in megawatt hours, is the electricity that is used by consumers and produced by electric generators. RA capacity, typically measured in megawatts, is the maximum amount of energy that can be produced at any instant. MCE sells energy to its customers and must buy RA capacity to meet its peak monthly loads plus a reserve margin to help ensure reliability of serving the load.

Wholesale Energy Costs

Wholesale energy prices in California continued the steep upward trend reported during last year's Ratesetting discussions. Staff noted then that Day Ahead Market (DAM) prices for energy had risen by 60% in 2021. Those prices have risen by another 60% during the first two quarters of FY22/23.



These price increases are also reflected in the Market Price Benchmarks utilized by the CPUC, which forecast the average prices of peak and off-peak energy in the coming year. The MPB's serve as a strong, publicly accessible indicator of where energy markets are expected to trend in the coming year. Most importantly, these numbers are used as the basis for the calculation of the PCIA.



These prices have been driven by a multitude of factors, including:

- Drought conditions limiting hydroelectric energy production
- Natural disasters limiting import capabilities from the Pacific Northwest
- Natural gas prices which have tripled since 2020, due to national and global strains

on the gas market
- Inflation and interest rate increases driving increased costs of business and financing
- Labor and equipment shortages
- COVID-19 disruptions
- Extended development timelines for construction of new resources

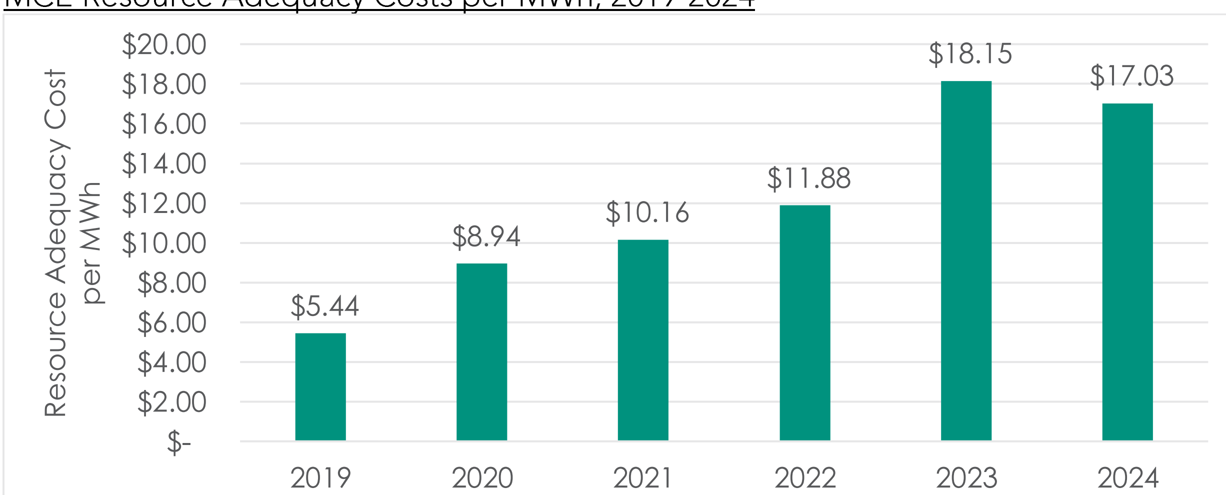
Consistent with its energy risk management policy and industry best practices, MCE buys most of its energy requirements many months in advance of actual delivery to help manage its exposure to volatile short term spot prices. However, these increases to wholesale costs still impact MCE's energy supply costs in myriad ways, such as:
- Impacting the cost of incremental energy purchased from the market, particularly system peak energy such as in the evening during heat waves
- The cost of replacement contracts for delayed or non-performing resources
- Increased costs of shaping electricity within MCE's portfolio

Resource Adequacy Costs:

RA capacity costs have been trending higher every year as the supply/demand balance for generating capacity has moved from surplus to shortage. Natural gas-powered generation retirements and the planned shutdown of the state's last nuclear power plant reduced available RA capacity, and new capacity has not kept pace.

Regulatory changes have also reduced the value of RA from solar, wind, and certain types of other storage resources. At the same time, regulatory entities have expanded RA requirements, creating a significant increase in demand during a time of short supply. In fact, PG&E has filed requests to have CPUC penalties for failure to meet RA obligations waived a dozen times in the last two years.

MCE Resource Adequacy Costs per MWh, 2019-2024

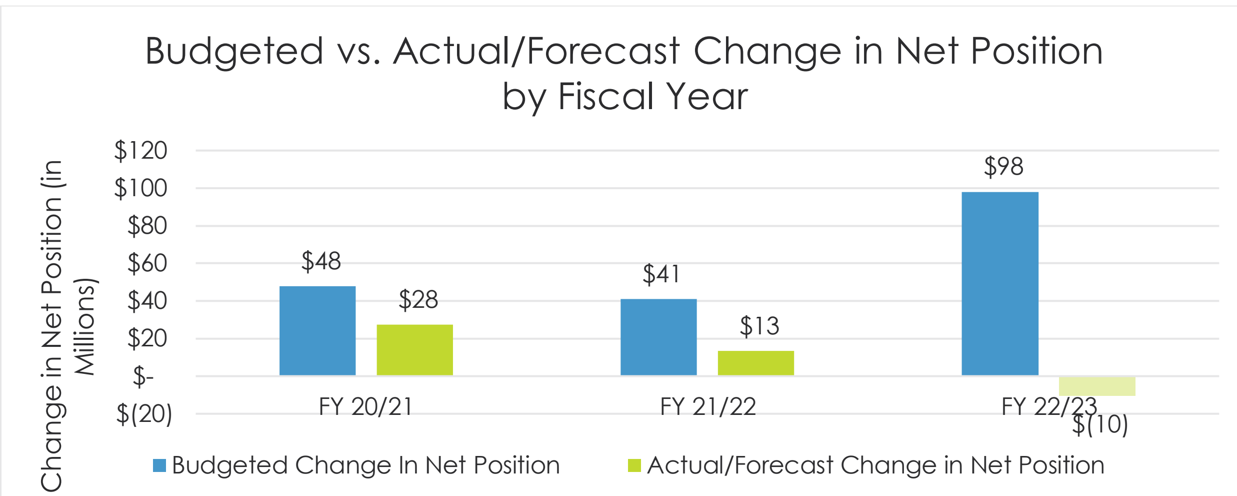


As a result, MCE's RA costs have risen from about $5.44 per MWh (i.e., $0.005/kWh) in 2019 to $18.15 per MWh ($0.018/kWh) forecast for 2023. Prices are not expected to moderate until new generation and storage capacity comes online over the next several years.

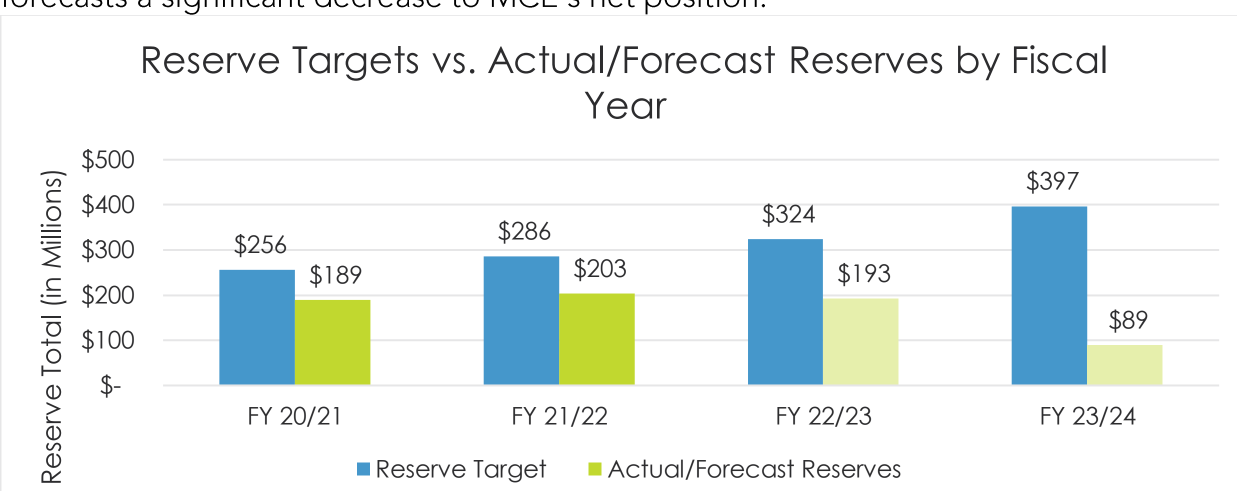
Impacts on MCE's Net Position and Reserve Targets

Rising energy costs have two key impacts on MCE's Net Position and Reserve Targets. MCE's stated reserve target is 60% of projected annual operating expenses plus the cost of energy. Therefore, the impact of rising energy costs is twofold:

- Actual energy costs exceed budgeted costs and will absorb planned contributions to reserves.
  - MCE budgets planned to add $187 million to reserves between FY 20/21 and FY 22/23; prior to this fiscal year, MCE only added $41 million and expects to see a reduction of over $10 million this year.
- Higher energy costs increase the reserve target for the next fiscal year.
  - MCE's reserve target was $256 million in FY 20/21, but has risen by $30-$40 million annually, and is expected to be $397 million in next year's budget.



Netted out, MCE's reserve target is rising faster than additions to those reserves. Moreover, without an adjustment to rates, continuing price trends into FY 2023/24 forecasts a significant decrease to MCE's net position.



Description of Rate Components

A breakdown of the major electric rate components paid by both MCE and PG&E customers:

	MCE Customers	PG&E Bundled Customers
Generation	At MCE Rates	At PG&E Rates
Non-Gen (T&D)	PG&E Rates (same)	PG&E Rates (same)
PCIA & FF	Based on community MCE start date	Based on current year

Generation – the cost to provide electricity, inclusive of RA. MCE's generation rates only apply to MCE customers. These are the only rates set by MCE. PG&E's generation rates are competitively relevant, as a customer can opt-out to receive PG&E rates instead.

Non-Gen (T&D) – PG&E non-generation rates (often referred to as T&D, for Transmission and Distribution, but inclusive of other charges such as Public Purpose Programs, Nuclear Decommissioning, the Wildfire Fund Charge, Conservation Incentive Adjustments, and other nominal fees) which apply equally to both MCE and non-MCE customers.

PG&E PCIA – PG&E's Power Charge Indifference Adjustment rate is a customer charge based on how much PG&E's portfolio costs exceed its value (as determined by the MPB), during the year when the customer started CCA service. Historically this has only been applied to CCA customers, as PG&E has argued it was inherent in PG&E's generation rate. PG&E has now been directed to show the PCIA distinct from its base generation rate. The PCIA varies depending on "vintage", generally determined by when a community exited PG&E service for CCA service. Customers who remain on PG&E bundled (non-CCA) service may have a different vintage and therefore a different PCIA rate. The Franchise Fee (FF) is a de minimis charge paid by CCA customers; for simplicity's sake, this has been included in the PCIA.

Forecast Changes to 2023 PG&E Rates

Overall, PG&E rates for PG&E bundled customers in 2023 are expected to remain relatively flat, while rates for MCE customers would decrease significantly due to PCIA reductions.

<u>Forecast Changes to Default Residential Rates</u>

	PG&E Bundled Customers	MCE Customers
Generation	+$0.018/kWh	Not set by PG&E
Non-Gen (T&D)	+$0.01/kWh	+$0.01/kWh
PCIA	-$0.017/kWh	-$0.027/kWh
Total	+$0.002/kWh	-$0.026/kWh

PG&E Bundled Customers: PG&E's October forecast of its 2023 rates indicates that PG&E would have an increase to its generation rates offset by a decrease to its PCIA rates. Non-Generation rates are expected to go up by about $0.001/kWh. Overall, rates would increase by about $0.002/kWh.

MCE Customers: PG&E's October forecast suggests that PCIA rates for MCE customers would be reduced significantly for MCE's vintages, by about $0.02 - $0.03/kWh[3]. Customers would also pay the increase to Non-Generation rates of about $0.001/kWh. Overall, rates would decrease by about $0.02 - $0.03/kWh. This PCIA reduction would decrease the typical household bill by about $11/mo.

PCIA: Significant increases in the Market Price Benchmark have largely eliminated the obligation of CCA customers to pay a PCIA rate in 2023. Additionally, a true-up of the PCIA paid in 2022 is expected to show significant overpayments which must be refunded to customers through a lower rate next year. The resulting total forecast rate is negative, imparting a credit per kWh on customer sales.

Rate Comparisons

The cost of MCE service today (MCE generation rate plus PCIA) is about $0.015 - $0.03/kWh below PG&E depending on rate schedule, PCIA vintage, and customer load profile. The average MCE household saves about $11 per month on their electricity bill. A sample of the most common rate schedules is below, based on data regularly published on PG&E's website with MCE's review.

Current Sample Rate Comparisons by Class[4]

Customer Class	Rate	PG&E Gen + PCIA	MCE Gen + PCIA	Delta
Basic Residential	E1	$0.152/kWh	$0.128/kWh	$(0.024)/kWh
Small Commercial	B1	$0.145/kWh	$0.124/kWh	$(0.021)/kWh
Medium C&I	B10S	$0.153/kWh	$0.129/kWh	$(0.024)/kWh
Medium/Large C&I	B19SV	$0.141/kWh	$0.123/kWh	$(0.018)/kWh
Agriculture	AGA1	$0.131/kWh	$0.117/kWh	$(0.015)/kWh

Based on the above rates, staff estimates that MCE is delivering about $10 million in savings to customers every month, and will save customers about $90 million in CY 2022.

Forecast PG&E rates would result in these MCE rates being about $0.04 - $0.05/kWh below PG&E depending on rate schedule, PCIA vintage, and customer load profile. The average MCE household is forecast to save, absent an MCE rate change, about $23 per month on their electricity bills. The below tables have been updated based on rates as forecast by PG&E. Notably, staff has replaced the "average" PCIA described by PG&E with the 2016 vintage rate, which is generally more representative of PCIA rates paid by MCE customers.

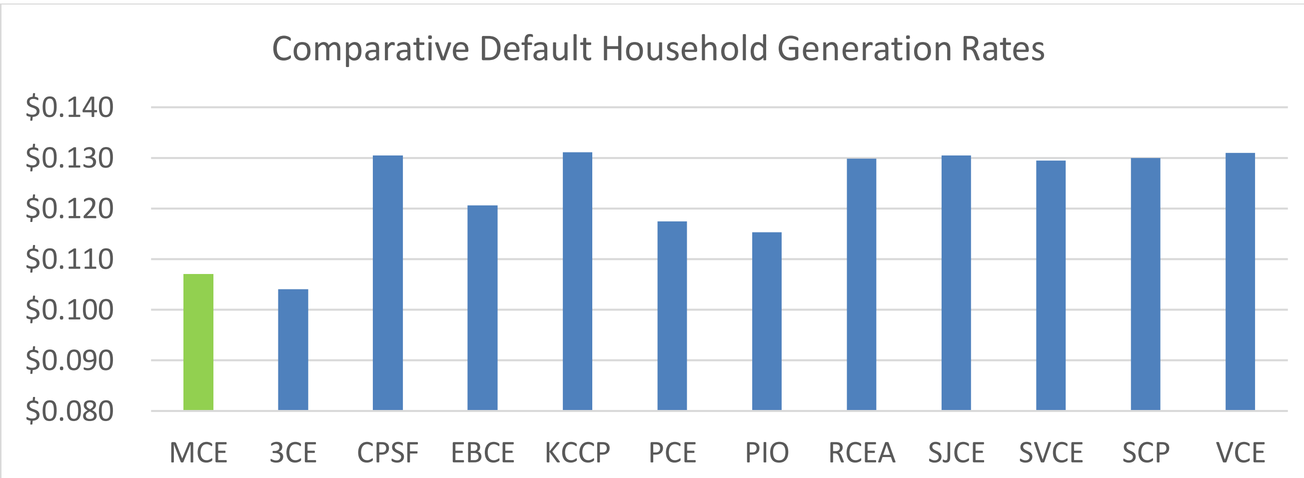
[3] A range is provided due to the wide spectrum of PCIA vintages among MCE communities, as well as rate schedules.

[4] Based on MCE-PG&E Joint Rate Comparison, updated June 1 2022.

Updated with ERRA Forecast[5], Without MCE Rate Change

Customer Class	Rate	PG&E Gen + PCIA	MCE Gen + PCIA	Savings
Basic Residential	E1	$0.152/kWh	$0.103/kWh	$(0.049)/kWh
Small Commercial	B1	$0.146/kWh	$0.100/kWh	$(0.046)/kWh
Medium C&I	B10S	$0.153/kWh	$0.103/kWh	$(0.050)/kWh
Medium/Large C&I	B19SV	$0.145/kWh	$0.099/kWh	$(0.046)/kWh
Agriculture	AGA1	$0.139/kWh	$0.094/kWh	$(0.045)/kWh

During the October 2022 Board meeting, your Board requested an evaluation of how MCE current rates compare with other CCAs in PG&E's service territory. MCE has the second-lowest rates of these CCAs. The comparison below shows the average default residential rate currently charged by each CCA.



MCE Rate Proposal

To account for the significant increases in power supply costs and the other issues described above, staff proposes that your Board consider an increase to MCE system average rates of $0.04/kWh, effective January 1st, 2023. Staff estimates that, inclusive of PG&E increases to T&D and decreases to PCIA, the typical MCE household bill would increase by about $7.22 per month, but **would provide a savings of about $4.68 per month compared with the PG&E cost.**

Average Monthly Residential Electric Charges

	Current MCE Customer Charges	Forecast 2023 MCE Customer Charges (+$0.04/kWh)	Forecast 2023 PG&E Customer Charges
Generation	$47.70	$66.10	$63.76
Non-Gen (T&D)	$90.89	$91.35	$91.35
PCIA	$9.57	$(2.07)	$4.95
Total	$148.15	$155.37	$160.06

[5] Based on Attachment A of PG&E's 2023 ERRA forecast, updated October 17 2022. PCIA rates are based on Table F. Includes an assumed Franchise Fee of $0.001/kWh.

Alternative Scenarios

Staff has also considered the impacts of a smaller or larger rate increase, based on increments of $0.01/kWh:

	$0.03/kWh Increase	$0.04/kWh Increase	$0.05/kWh Increase
Generation	$61.50	$66.10	$70.70
Non-Gen (T&D)	$91.35	$91.35	$91.35
PCIA	$(2.07)	$(2.07)	$(2.07)
Total	$150.77	$155.37	$159.97

$0.03/kWh Increase – staff believes this provides the minimum rate level to secure revenue sufficiency for the current fiscal year. The PCIA drop would offset the rate increase almost entirely.

$0.04/kWh Increase – the staff recommendation, striking a balance between providing customers a savings and working towards revenue targets

$0.05/kWh Increase – the maximum possible increase while generally keeping costs under PG&E. However, certain rates and customer scenarios may be a little higher than PG&E, and this approach leaves little margin compared to PG&E rates if actual rates deviate from forecasts.

Another key consideration is how the recommended rate increase will compare if PG&E's rate change is delayed past January 1. In that case, MCE rates would temporarily be about $7 per month higher than PG&E, for the typical household, before delivering significant customer savings during the remainder of the year.

<u>Sample Household Monthly Bill Comparison</u>

	Current Charges	With $0.04 Rate Change (No PG&E Rate Change)	Current PG&E Rates
Generation	$47.70	$66.10	$56.22
Non-Gen (T&D)	$90.89	$90.89	$90.89
PCIA & FF	$9.57	$9.57	$12.25
Total	$148.15	$166.55	$159.36

Fiscal Impacts:

Raising rates by $0.04/kWh would add approximately $51.1 million in revenue during FY 22/23 based on current market conditions, and is expected to ensure revenue sufficiency should costs continue to exceed forecasts. The rate adjustment would create a projected addition to Net Position for FY 22/23 of $40.3 million and for FY 23/24 of $131.1 million.

For FY 22/23, this would result in a cumulative Net Position of $243 million out of the Reserve Target of $324 million. For FY 23/24, this would result in a cumulative Net Position of $375 million out of the forecast Reserve Target (based on increased energy costs) of $394 million.

Projected Change to Net Position FY 22/23 (Reserve Target: $324 million)

	Current Forecast	Additional Revenue	Revised Forecast	Projected Total Reserves
$0.03/kWh Increase	$(10.5 million)	$38.1 million	$27.6 million	$230.7 million
$0.04/kWh Increase	$(10.5 million)	$50.8 million	$40.3 million	$243.4 million
$0.05/kWh Increase	$(10.5 million)	$63.4 million	$53.0 million	$256.0 million

Projected Change in Net Position FY 23/24 (Forecast Reserve Target: $394 million)

	Current Forecast	Additional Revenue	Revised Forecast	Projected Total Reserves
$0.03/kWh Increase	$(102.7 million)	$175.4 million	$72.7 million	$303.3 million
$0.04/kWh Increase	$(102.7 million)	$233.9 million	$131.1 million	$374.5 million
$0.05/kWh Increase	$(102.7 million)	$292.3 million	$189.6 million	$445.6 million

Recommendations:

Staff recommends that the Executive Committee direct staff to present a proposal at the Board of Directors November meeting to raise rates by $0.04/kWh, effective January 1, 2023.

November 4, 2022

TO: MCE Executive Committee

FROM: Shaheen Khan, Director of Human Resources, Diversity and Inclusion Jean Bonander, Facilitator from Finesse the Future

RE: Proposed CEO Review and Compensation Structure (Agenda Item #07)

ATTACHMENTS: A. Proposed Chief Executive Officer Review and Compensation Structure
B. Resolution 2018-09 A Resolution of the Board of Directors of Marin Clean Energy Delegating Authority of Setting Compensation, Tenure, Appointment and Conditions of Employment to the Executive Committee and the Chief Executive Officer

Dear Executive Committee Members:

Summary:

Dawn Weisz has served as the CEO of MCE since its inception in 2008. Since 2018, the Executive Committee has assumed responsibility for conducting the CEO's annual evaluation and establishing the CEO's compensation pursuant to the authority delegated by your Board in Resolution 2018-09.

In 2021, during Dawn Weisz's previous performance evaluation, the Executive Committee directed staff to establish a CEO Compensation Structure ("Structure") for future evaluations and merit increases. This Structure would provide the Executive Committee with consistent processes to evaluate the CEO's performance on a more regular basis and identify performance deserving of a merit increase.

In early 2022 an Ad Hoc Committee was formed to work with staff to develop such a Structure for its CEO. The Ad Hoc Committee comprised of Shanelle Scales-Preston, Brad Wagenknecht, Barbara Coler, Cindy Darling, Gabriel Quinto, and Sally Wilkinson, was formed and the available members of the committee initially met on July 7, 2022, to begin work developing the Structure.

After various emails, phone conversations, and meetings, staff and the Ad Hoc Committee developed the Structure to guide the Executive Committee in future performance reviews of the CEO.

If approved, the Structure would:

I. Create a performance review system where performance evaluations would alternate between MCE management team and Board of Directors and a full 360 review;
II. Establish merit rating criteria by which to evaluate the performance; and
III. Identify compensation adjustment options including salary increase, additional leave time, and cash pay for performance.

The proposed plan for the Structure was shared with Dawn Weisz, and the final Structure incorporated her comments and edits.

The Ad Hoc Committee recommends approval of the Structure presented to this Executive Committee. If approved by the Executive Committee, the proposed Structure would apply to the 2023 performance year for the CEO.

Recommendation:
Approve the proposed Chief Executive Officer Review and Compensation Structure.

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MCE Chief Executive Officer Review and Compensation Structure

Effective January 1, 2023, the Review and Compensation Structure for MCE's Chief Executive Officer ("CEO") ("Structure") is as detailed herein. In 2019, the MCE Board of Directors delegated to the Executive committee in Resolution 2019-08-*A Resolution of the Executive Committee of Marin Clean Energy Establishing the Annual Salary of the Chief Executive Office*, the authority to prescribe the compensation of MCE's CEO and provide for the compensation, tenure, appointment, and conditions of employment of the CEO, provided that such prescription and provision be consistent with the Board approved budget.

Under this Structure, the CEO will have an annual performance review conducted by the Executive Committee with the support of staff. As part of that review process, the CEO compensation will be considered for adjustment annually where the Executive Committee will review information collected during the performance review, budgetary constraints, compensation data from comparable CCAs and other public agencies[1], and the Merit Rating Criteria Table. The CEO will continue to be subject to MCE's existing Human Resources policies and will be eligible for applicable cost of living adjustments ("COLA") that apply to all staff and staff-wide benefit changes on an annual basis.

CEO Annual Performance Review:

Each year, the CEO will receive an annual evaluation from the Executive Committee, with the support of Human Resources. That performance evaluation will alternate annually between feedback composed of i) MCE's management team and the Board of Directors, and ii) a 360° evaluation sought from all MCE staff and the Board of Directors. The performance evaluation will rate the CEO's performance based on the criteria set forth the table below:

Merit Rating Criteria Table

Merit Rating	Descriptor
Non-Meritorious	Has an active performance improvement plan in place and is not meeting expectations in job responsibilities with Board direction.

[1] Comparable agencies will include other California CCAs, with additional information on similar sized agency public sector key executives available for review.

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Meets Expectations Plus	Have received formal verbal or written feedback regarding performance that has since improved. Consistently meeting and occasionally exceeding expectations with Board direction. ● Consistently meets all job requirements and occasionally goes beyond job requirements in terms of quality, quantity, innovation, and initiative; ● Achieves established Agency goals and occasionally exceeds them and/or accomplishes additional Agency goals as opportunities arise; ● Applies strategic thinking, creativity & problem-solving skills in appropriate situations and willingly implements and adapts to new processes or enhancements; ● Performs in manners that result in new achievements towards established standards; and ● Successful in carrying out regular job duties while behaving in ways consistent with MCE values.
Commendable	Consistently meeting and occasionally exceeding expectations with Board direction. ● Consistently meets all job requirements and occasionally goes beyond job requirements in terms of quality, quantity, innovation, and initiative; ● Achieves established Agency goals and occasionally exceeds them and/or accomplishes additional goals as opportunities arise; ● Applies strategic thinking, creativity & problem-solving skills in appropriate situations and willingly implements and adapts to new processes or enhancements; ● Performs in manners that result in new achievements towards established standards; and ● Successful in carrying out regular job duties while behaving in ways consistent with MCE values.
Commendable Plus	Consistently exceeding expectations with Board guidance. With Board guidance, the CEO:

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Consistently meets all job requirements and regularly goes beyond job requirements in terms of quality, quantity, innovation, and initiative;
Achieves established Agency goals and frequently exceeds them and/or accomplishes additional goals as opportunities arise;
Applies strategic thinking, creativity & problem-solving skills in appropriate situations and willingly implements and adapts to new processes or enhancements;
Performs in manners that result in new achievements towards established standards; and
Successful in carrying out regular job duties while behaving in ways consistent with MCE values.
</td></tr>
<tr><td>Outstanding</td><td>Consistently exceeding expectations <u>autonomously</u>.
Autonomously, the CEO:
Consistently meets all job requirements and regularly goes beyond job requirements in terms of quality, quantity, innovation and initiative;
Achieves established goals and frequently exceeds them and/or accomplishes additional goals as opportunities arise;
Applies strategic thinking, creativity & problem-solving skills in appropriate situations and proactively implements and adapts to new processes or enhancements;
Monitors and identifies strategic risks and opportunities affecting MCE, and applies knowledge to MCE's Agency goals and plans.
Performs in manners that result in ongoing achievement of Agency goals;
Successful in carrying out regular job duties while behaving in ways consistent with MCE values; and
Seeks involvement and participation in regional activities, representing and supporting MCE's Agency goals and plans.
</td></tr>
</table>

Exceptional	Continuously exceeding expectations in all areas, performing at a high independent level all job responsibilities while providing exceptional or substantial contributions for the Agency. The CEO: ● Exhibits role model level behaviors consistent with MCE values; ● Performs at maximum levels of effectiveness by producing exceptional quality while meeting challenging demands; ● Proactively and creatively solves problems resulting in positive change; ● Enhances internal processes to own work and department which benefit MCE; ● Fills leadership roles at the regional and national level, offering organizational and financial perspectives to others in the industry while representing and supporting MCE's Agency goals and plans; ● Evaluates the energy landscape for strategic risks and opportunities affecting MCE, understanding past actions and applying innovative ideas and foresight with significant benefit, and sharing insights with the Board and Staff; ● Outstanding performance that always exceeds expectations, demonstrated for an extended, sustainable period of time (entire year); and ● Very strong performance that exceeds expectations in all situations while behaving in ways consistent with MCE values.

CEO Compensation Adjustment:

Annually, starting in 2023, the CEO will be eligible for a merit-based compensation adjustment guided by the performance criteria listed in the Merit Rating Criteria Table. Based on the performance review, if a merit-based compensation adjustment is warranted, the Executive Committee may award, via resolution, any of, or any combination thereof, the following options as merit-based compensation:

- Salary percentage increase awarded according to the Merit Rating Criteria table:
    - Non-Meritorious Rating: 0% Salary Increase

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    - Meets Expectations Plus Rating: 1% Salary Increase
    - Commendable Rating: 2% Salary Increase
    - Commendable Plus Rating: 3% Salary Increase
    - Outstanding Rating: 4% Salary Increase
    - Exceptional Rating: 5% Salary Increase

- Additional paid leave that can be rolled over to the next calendar year up to 120 hours, or may be paid out in cash pursuant to MCE's process for all employees. The CEO will timely report to the Board Chair, or their designee, if the awarded leave is not used in the calendar year it was awarded.

- Cash Pay for Performance Award as a one-time payment based on extraordinary performance that includes and goes beyond the ratings listed above as designated by the Executive Committee typically after the completion of a 360° performance evaluation for the applicable review period. In the instance the Executive Committee desires to award Cash Pay for Performance, the Executive Committee will work with staff to establish any further criterion or framework for this form of compensation award.

APPROVED

OCT 18 2018

MARIN CLEAN ENERGY

RESOLUTION NO. 2018-09

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY DELEGATING AUTHORITY OF SETTING COMPENSATION, TENURE, APPOINTMENT AND CONDITIONS OF EMPLOYMENT TO THE EXECUTIVE COMMITTEE AND THE CHIEF EXECUTIVE OFFICER

WHEREAS, Marin Clean Energy (MCE) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act (Government Code Section 6500 et seq.); and

WHEREAS, MCE members include the following communities: MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, consistent with Government Code Section 23500, the Board has the authority to prescribe the compensation of all MCE officers and provide for the number, compensation, tenure, appointment and conditions of employment of MCE employees; and

WHEREAS, the Board of Directors, by this delegation of authority to prescribe the compensation of all MCE officers and provide for the number, compensation, tenure, appointment and conditions of employment of MCE employees as described herein, shall not be divested of any such authority, but shall retain and may exercise such authority at such times as it may deem necessary and proper, at its sole discretion; and

WHEREAS, the Board of Directors seeks to improve and streamline employment matters of MCE through its delegation of authority.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of MCE does hereby resolve, determine, and order as follows:

Section 1. The Board hereby delegates to MCE's Chief Executive Officer (CEO) or her or his designee, in consultation with the Executive Committee, the authority to prescribe the compensation of all MCE officers, other than the CEO, and provide for the number, compensation, tenure, appointment and conditions of employment of MCE employees, provided that such prescription and provision be consistent with the Board-approved budget.

Section 2. The Board hereby delegates to the Executive Committee the authority to prescribe the compensation of MCE's CEO and provide for the compensation, tenure, appointment and conditions of employment of the CEO, provided that such prescription and provision be consistent with the Board-approved budget.

PASSED AND ADOPTED at a regular meeting of the MCE Board of Directors on this 18th day of October, 2018, by the following vote:

	AYES	NOES	ABSTAIN	ABSENT
County of Marin	✓			
Contra Costa County				✓
County of Napa				✓
City of American Canyon				✓
City of Belvedere	✓			
City of Benicia	✓			
City of Calistoga				✓
City of Concord	✓			
Town of Corte Madera	✓			
Town of Danville				✓
City of El Cerrito	✓			
Town of Fairfax	✓			
City of Lafayette	✓			
City of Larkspur	✓			
City of Martinez				✓
City of Mill Valley				✓
Town of Moraga	✓			
City of Napa				✓
City of Novato				✓
City of Oakley				✓
City of Pinole	✓			
City of Pittsburg				✓
City of San Ramon				✓
City of Richmond	✓			
Town of Ross	✓			
Town of San Anselmo	✓			
City of San Pablo				✓
City of San Rafael	✓			
City of Sausalito	✓			

City of St. Helena				✓
Town of Tiburon				✓
City of Walnut Creek	✓			
Town of Yountville				✓

CHAIR, MCE

Attest:

SECRETARY, MCE

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MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY | UNINCORPORATED SOLANO COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | FAIRFIELD | LAFAYETTE | MARTINEZ | MORAGA | OAKLEY
PINOLE | PITTSBURG | PLEASANT HILL | RICHMOND | SAN PABLO | SAN RAMON | VALLEJO | WALNUT CREEK

DRAFT

Board of Directors Meeting
Thursday, November 17, 2022
7:00 P.M.

This Meeting will be conducted via teleconference pursuant to the requirements of Assembly Bill No. 361. By using teleconference for this meeting, MCE continues to promote social distancing measures recommended by local officials.

Members of the public who wish to observe the Meeting and/or offer public comment may do so telephonically via the following teleconference call-in number and meeting ID:

For Viewing Access Join Zoom Meeting:
https://us02web.zoom.us/j/82085254745?pwd=dWs0b1NTbWNYbjRJbVZLMVZzZjZrUT09

Dial: (669) 900-9128
Webinar ID: 820 8525 4745
Meeting Passcode: 205749

Agenda Page 1 of 2

1. Roll Call/Quorum

2. Board Announcements (Discussion)

3. Public Open Time (Discussion)

4. Resolution No. 2022-13 Authorizing Continued Remote Teleconference Meetings for the Board of Directors and Every Committee of the Board of Directors Pursuant to Government Code 54953(e) (Discussion/Action)

5. Report from Chief Executive Officer (Discussion)

6. Consent Calendar (Discussion/Action)
   C.1 Approval of 10.20.22 Meeting Minutes
   C.2 Approved Contracts For Energy Update

7. Proposed MCE Rate Adjustment in FY 2022/23 (Discussion/Action)

8. Proposed Amendment to MCE Conflict of Interest (Discussion/Action)

9. Electrification Reach Code Adoption Model – Guests: Cory Bytoff (San Rafael)/Brian Reyes (Marin County) (Discussion)

10. Board Matters & Staff Matters (Discussion)

11. Adjourn

The Board may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

DISABLED ACCOMMODATION: If you are a person with a disability which requires an accommodation, or an alternative format, please call MCE's main office line at (415) 464-6010 as soon as possible to ensure arrangements for accommodation.